TELUS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2003

consolidated statements of income

Three month periods ended March 31 (unaudited) (millions)	2003	2002
OPERATING REVENUES	**$ 1,740.9**	$ 1,698.0
OPERATING EXPENSES		
Operations	**1,070.1**	1,108.7
Depreciation	**318.6**	291.1
Amortization of intangible assets	**92.5**	83.3
Restructuring and workforce reduction costs (Note 3)	**6.5**	12.5
	1,487.7	1,495.6
OPERATING INCOME	**253.2**	202.4
Other expense (income), net	**5.6**	4.8
Financing costs (Note 4)	**161.6**	181.4
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**86.0**	16.2
Income taxes (recovery) (Note 5)	**(5.9)**	16.5
Non-controlling interest	**0.7**	0.5
NET INCOME (LOSS)	**91.2**	(0.8)
Preference and preferred share dividends	**0.9**	0.9
Interest on convertible debentures, net of income taxes	**1.7**	1.6
COMMON SHARE AND NON-VOTING SHARE INCOME (LOSS)	**$ 88.6**	$ (3.3)
INCOME (LOSS) PER COMMON SHARE AND NON-VOTING SHARE ($) (NOTE 6)		
– Basic	**0.26**	(0.01)
– Diluted	**0.26**	(0.01)
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE ($)	**0.15**	0.15
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON-VOTING SHARES OUTSTANDING (MILLIONS)		
– Basic	**346.8**	304.0
– Diluted	**347.0**	304.0

consolidated statements of retained earnings

Three month periods ended March 31 (unaudited) (millions)	2003	2002
BALANCE AT BEGINNING OF YEAR	**$ 630.4**	$ 1,654.8
Transitional impairment of intangible assets with indefinite lives	—	(595.2)
Adjusted opening balance	**630.4**	1,059.6
Net income (loss)	**91.2**	(0.8)
	721.6	1,058.8
Less: Common Share and Non-Voting Share dividends paid in cash	**42.7**	25.4
Common Share and Non-Voting Share dividends reinvested in shares issued from Treasury	**9.2**	20.2
Preference and preferred share dividends	**0.9**	0.9
Interest on convertible debentures, net of income taxes	**1.7**	1.6
BALANCE AT END OF PERIOD (Note 14)	**$ 667.1**	$ 1,010.7

The accompanying notes are an integral part of these interim consolidated financial statements

consolidated balance sheets

(unaudited) (millions)	**As at March 31, 2003**	As at December 31, 2002
ASSETS		
Current Assets		
Cash and temporary investments, net	**$ 7.4**	$ —
Accounts receivable (Note 8)	**553.4**	640.4
Income and other taxes receivable	**345.5**	134.0
Inventories	**86.3**	96.5
Current portion of future income taxes	**156.1**	138.8
Prepaid expenses and other	**189.1**	163.5
	1,337.8	1,173.2
Capital Assets, Net (Note 9)		
Property, plant, equipment and other	**7,869.2**	8,025.9
Intangible assets subject to amortization	**930.6**	998.5
Intangible assets with indefinite lives	**2,950.1**	2,950.1
	11,749.9	11,974.5
Other Assets		
Deferred charges (Note 10)	**589.3**	729.1
Future income taxes	**957.4**	1,170.3
Investments	**47.8**	48.1
Goodwill (Note 11)	**3,124.7**	3,124.6
	4,719.2	5,072.1
	$ 17,806.9	$ 18,219.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Cash and temporary investments, net	**$ —**	$ 9.0
Accounts payable and accrued liabilities	**1,170.8**	1,198.8
Restructuring and workforce reduction accounts payable and accrued liabilities (Note 3)	**253.0**	400.4
Dividends payable	**52.8**	52.2
Advance billings and customer deposits	**339.2**	330.3
Current maturities of long-term debt (Note 12)	**161.4**	190.3
	1,977.2	2,181.0
Long-Term Debt (Note 12)	**7,715.2**	8,197.4
Future Income Taxes	**990.6**	992.3
Other Long-Term Liabilities (Note 13)	**613.7**	405.3
Non-Controlling Interest	**11.4**	11.2
Shareholders' Equity (Note 14)		
Convertible debentures	**151.2**	148.5
Preference and preferred shares	**69.7**	69.7
Common equity	**6,277.9**	6,214.4
	6,498.8	6,432.6
	$ 17,806.9	$ 18,219.8

Commitments and Contingent Liabilities (Note 15)

The accompanying notes are an integral part of these interim consolidated financial statements

consolidated statements of cash flows

Three month periods ended March 31 (unaudited) (millions)	**2003**	2002
OPERATING ACTIVITIES		
Income (loss) from operations	**$ 91.2**	$ (0.8)
Items not affecting cash:		
Depreciation and amortization	**411.1**	374.4
Future income taxes	**36.9**	10.6
Net pension expense (credits)	**13.1**	(7.5)
Other, net	**1.7**	0.1
Operating cash flow before restructuring and workforce reduction costs	**554.0**	376.8
Restructuring and workforce reduction costs, net of cash payments (Note 3)	**(147.4)**	(30.5)
Operating cash flow	**406.6**	346.3
Net change in non-cash working capital (Note 16)	**(6.9)**	(52.6)
Cash provided by operating activities	**399.7**	293.7
INVESTING ACTIVITIES		
Capital expenditures (Note 9(a))	**(207.8)**	(405.9)
Proceeds from the sale of property (Note 9(b))	**19.3**	—
Other	**5.9**	(9.4)
Cash provided (used) by investing activities	**(182.6)**	(415.3)
FINANCING ACTIVITIES		
Common Shares and Non-Voting Shares issued	**20.1**	32.8
Dividends to shareholders	**(44.8)**	(26.8)
Long-term debt issued (Note 12)	**17.5**	192.0
Redemptions and repayment of long-term debt (Note 12)	**(200.1)**	(79.3)
Change in short-term obligations	**—**	(61.5)
Amortization of debt issue costs and other	**6.6**	1.7
Cash provided (used) by financing activities	**(200.7)**	58.9
CASH POSITION		
Increase (decrease) in cash and temporary investments, net	**16.4**	(62.7)
Cash and temporary investments, net, beginning of period	**(9.0)**	17.1
Cash and temporary investments, net, end of period	**$ 7.4**	$ (45.6)
SUPPLEMENTAL DISCLOSURE		
Interest paid	**$ 36.0**	$ 42.3
Income taxes (inclusive of Investment Tax Credits (Note 5)) paid	**$ 0.6**	$ 13.2

The accompanying notes are an integral part of these interim consolidated financial statement

MARCH 31, 2003 (unaudited)

TELUS Corporation is one of Canada's largest telecommunications companies, providing a full range of telecommunications products and services. The Company is the largest incumbent telecommunications service provider in Western Canada and provides data, Internet Protocol, voice and wireless services to Central and Eastern Canada.

1. Interim Financial Statements

The notes presented in these interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in TELUS Corporation’s annual audited financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the TELUS Corporation consolidated financial statements for the year ended December 31, 2002. These interim consolidated financial statements follow the same accounting policies, other than as set out in Note 2 to these interim consolidated financial statements, and methods of their application as set out in the TELUS Corporation consolidated financial statements for the year ended December 31, 2002.

The term “Company” is used to mean TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries.

2. Change in Accounting Policies

(a) Disclosure of Guarantees

Commencing January 1, 2003, the new guidelines of the Canadian Institute of Charted Accountants (“CICA”) for the disclosure of guarantees apply to the Company (CICA Accounting Guideline AcG-14) (see Note 15(c)). The Guideline elaborates on required disclosures by a guarantor in its financial statements about obligations under certain types of guarantees that it has issued.

(b) Asset Retirement Obligations

Commencing with the Company’s 2004 fiscal year, the new recommendations of the CICA for accounting for asset retirement obligations (CICA Handbook Section 3110) will apply. The new section focuses on the recognition and measurement of liabilities for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value (using present value methodology) and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is depreciated on the same basis as the related asset; discount accretion is included in determining the results of operations. The Company is currently evaluating the impact of this standard on its financial statements.

3. Restructuring and Workforce Reduction Costs

In 2001, the Company initiated a phased Operational Efficiency Program (“OEP”) aimed at improving the Company’s operating and capital productivity and competitiveness. The first phase of the OEP was to complete merger-related restructuring activities in TELUS Mobility and the reorganization for TELUS Communications. Approximately one-half of the 2001 charge was related to integration costs for TELUS Mobility including the write-down of redundant capital assets, handset reconfiguration costs and employee severance costs. The remaining charge was related to reorganization costs in TELUS Communications, including employee severance costs and capital asset impairment charges.

The second phase of the OEP, which commenced at the beginning of 2002, continued to focus on reducing staff, but also entailed a comprehensive review of enterprise-wide processes to identify capital and operational efficiency opportunities. Consequently, the Company initiated a program offering an Early Retirement Incentive Plan (“ERIP”) and a Voluntary Departure Incentive Plan (“VDIP”) to 11,000 of over 16,000 bargaining unit employees and announced details on OEP initiatives including: streamlining of business processes; reducing the TELUS product portfolio and processes that support them; optimizing the use of real estate, networks and other assets; improving

customer order management; reducing the scope of corporate support functions; consolidating operational and administrative functions; and consolidating customer contact centres.

The third phase of the OEP, which commenced in the third quarter of 2002, was focused on operationalizing the above noted initiatives. Consolidation of administrative offices was largely completed by December 31, 2002.

The following table discloses the program costs to date and the changes in program costs in the period as well as the corresponding liabilities and changes in the corresponding liabilities for the period.

(millions)	Program (a) inception to December 31, 2002	**Three month period ended March 31, 2003**	Program (a) inception to March 31, 2003	Program (a) items not yet eligible for recording	Total program (a)
Workforce reduction costs					
Voluntary (Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other)	$ 498.5	**$ —**	$ 498.5	$ —	$ 498.5
Involuntary and other	220.8	**—**	220.8	—	220.8
	719.3	**—**	719.3	—	719.3
Lease termination charges	16.1	**3.4**	19.5	—	19.5
Asset write-off and other charges	32.9	**3.1**	36.0	12.9	48.9
Restructuring and workforce reduction costs	768.3	**6.5**	774.8	$ 12.9	$ 787.7
Less:					
Payments	332.0	**153.9**	485.9		
Asset write-off related to restructuring and other	30.5	**—**	30.5		
Reclassified to other long-term liabilities (pension and other post-retirement benefit liabilities)	5.4	**—**	5.4		
	367.9	**153.9**	521.8		
Restructuring and workforce reduction accounts payable and accrued liabilities	$ 400.4	**$ (147.4)**	$ 253.0		

(a) Program includes phases 1, 2 and 3 of the Operational Efficiency Program.

The following table presents the status of various OEP initiatives. The expense and liability for the ERIP and VDIP programs are recognized when the employee accepts the Company's formalized offer. As a result, OEP costs may be, and have been, as appropriate and required, recorded in advance of when the underlying event occurs.

	Program (a) inception to December 31, 2002	**Three month period ended March 31, 2003**	Program (a) inception to March 31, 2003	Future	Total program (a)
Customer contact centre consolidation	24	13	37	9	46
TELUS store closures	33	—	33	—	33
Net staff reductions					
Phase 1	800	—	800	—	800
Phases 2 and 3	5,200	600	5,800	700	6,500
	6,000	600	6,600	700	7,300

(a) Program includes phases 1, 2 and 3 of the Operational Efficiency Program.

4. Financing Costs

Three month periods ended March 31 (millions)		2003		2002
Interest on long-term debt	$	**170.6**	$	179.2
Interest on short-term obligations and other		**1.0**		1.9
Foreign exchange loss (a)		**0.4**		0.8
		172.0		181.9
Capitalized interest during construction		**—**		(0.2)
Interest income (including interest received on tax refunds)		**(10.4)**		(0.3)
	$	**161.6**	$	181.4

(a) These amounts include gains (losses) of $0.3 (2002 – $(0.3)) in respect of hedge ineffectiveness.

5. Income Taxes

Three month periods ended March 31 (millions)		2003		2002
Current	**$**	**(200.8)**	$	5.9
Future		**194.9**		10.6
	$	**(5.9)**	$	16.5

The Company's income tax expense (recovery) differs from that calculated by applying statutory rates for the following reasons:

Three month periods ended March 31 (millions)		2003			2002	
Basic blended federal and provincial tax at statutory income tax rates	**$**	**31.8**	**37.0%**	$	6.5	40.4%
Prior year rates applied to settlement of tax issues		**(47.0)**			—	
Other		**3.5**			3.4	
		(11.7)	**(13.6)%**		9.9	61.1%
Large corporations tax		**5.8**			6.6	
Income tax expense (recovery) per Consolidated Statements of Income	**$**	**(5.9)**	**(6.9)%**	$	16.5	NM (a)

(a) "NM" – not meaningful.

The Company conducts research and development activities, which are eligible to earn Investment Tax Credits. During the three months ended March 31, 2003, the Company recorded Investment Tax Credits of $1.2 million (2002 – NIL) of which $1.0 million (2002 – NIL) was recorded as a reduction of "Operations expense" and the balance was recorded as a reduction of capital expenditures.

6. Per Share Amounts

Basic net income (loss) per Common Share and Non-Voting Share is calculated by dividing Common Share and Non-Voting Share income (loss) by the total weighted average Common Shares and Non-Voting Shares outstanding during the period. Diluted income per Common Share and Non-Voting Share is calculated to give effect to share options and warrants and shares issuable on conversion of debentures. The convertible debentures had no dilutive effect in the periods presented.

The following tables present the reconciliations of the numerators and denominators of the basic and diluted per share computations.

Three month periods ended March 31 (millions)		2003		2002
Income (loss)	**$**	**91.2**	$	(0.8)
Deduct:				
Preference and preferred share dividends		**0.9**		0.9
Interest on convertible debentures		**1.7**		1.6
Basic and diluted Common Share and Non-Voting Share income (loss)	**$**	**88.6**	$	(3.3)

Three month periods ended March 31 (millions)	**2003**	2002
Basic total weighted average Common Shares and Non-Voting Shares outstanding	**346.8**	304.0
Effect of dilutive securities		
Exercise of share options and warrants (a)	**0.2**	—
Diluted total weighted average Common Shares and Non-Voting Shares outstanding	**347.0**	304.0

(a) Share options, in the amount of 0.4 for the three months ended March 31, 2002, were excluded from the calculations, as they were anti-dilutive.

7. Share-Based Compensation

The Company applies the intrinsic value based method of accounting for share-based compensation awards granted to employees. Accordingly, no compensation cost is recorded in the accounts for its share option plans. For share options granted after 2001, disclosure of the impact on earnings and earnings per share as if the fair value based method of accounting for the share-based compensation had been applied is required. Such impact, using a weighted average fair value of $4.26 and $8.18 for options granted in 2003 and 2002, respectively, would approximate the following pro forma amounts:

Three month periods ended March 31 (millions except per share amounts)	**2003**	2002
Compensation cost	**$ 4.1**	$ 0.9
Net income (loss)		
As reported	**$ 91.2**	$ (0.8)
Pro forma	**$ 87.1**	$ (1.7)
Net income (loss) per Common Share and Non-Voting Share		
Basic and diluted		
As reported	**$ 0.26**	$ (0.01)
Pro forma	**$ 0.24**	$ (0.01)

Due to the fact that only share options granted after 2001 are included, these pro forma disclosures are not likely to be representative of the effects on reported net income (loss) for future years.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes model with weighted average assumption for grants as follows:

Three month periods ended March 31	**2003**	2002
Risk free interest rate	**5.0%**	5.9%
Expected lives (years)	**4.5**	10.0
Expected volatility	**40.0%**	35.0%
Dividend yield	**4.0%**	3.6%

Forfeitures of options are accounted for in the period of forfeiture.

8. Accounts Receivable

On July 26, 2002, TELUS Communications Inc. ("TCI"), a wholly-owned subsidiary of TELUS, entered into an agreement (the "2002 Securitization") with an arm's-length securitization trust under which TCI is able to sell an interest in certain of its trade receivables up to a maximum of $650 million.

(millions)	**As at March 31, 2003**	As at December 31, 2002
Total managed portfolio	**$ 1,029.9**	$ 1,139.0
Securitized receivables	**(575.5)**	(595.4)
Retained interest in receivables sold	**99.0**	96.8
Receivables held	**$ 553.4**	$ 640.4

For the three month period ended March 31, 2003, the Company recognized a loss of $1.2 million on the sale of receivables, arising from the 2002 Securitization.

Cash flows from the 2002 Securitization are as follows:

Three month period ended March 31 (millions)	2003
Cumulative proceeds from securitization, beginning of year	$ **475.0**
Proceeds from new securitizations	**3.0**
Securitization reduction payments	**(24.0)**
Cumulative proceeds from securitization, end of period	$ **454.0**
Proceeds from collections reinvested in revolving period securitizations	$ **1,018.4**
Proceeds from collections pertaining to retained interest	$ **206.5**

9. Capital Assets

(a) Capital Assets, Net

(millions)	Cost	Accumulated Depreciation and Amortization	Net Book Value As at March 31, 2003	Net Book Value As at December 31, 2002
Property, plant, equipment and other				
Telecommunications assets	$ 16,017.6	$ 9,891.5	**$ 6,126.1**	$ 6,252.9
Assets leased to customers	416.6	344.2	**72.4**	77.5
Buildings	1,505.0	688.4	**816.6**	836.0
Office equipment and furniture	848.3	581.0	**267.3**	280.8
Assets under capital lease	30.0	22.0	**8.0**	10.3
Other	364.2	234.4	**129.8**	144.0
Land	51.5	—	**51.5**	55.4
Plant under construction	372.9	—	**372.9**	341.6
Materials and supplies	24.6	—	**24.6**	27.4
	19,630.7	11,761.5	**7,869.2**	8,025.9
Intangible assets subject to amortization				
Subscriber base	362.9	56.8	**306.1**	311.6
Software	993.0	456.6	**536.4**	600.3
Access to rights-of-way and other	115.7	27.6	**88.1**	86.6
	1,471.6	541.0	**930.6**	998.5
Intangible assets with indefinite lives				
Spectrum licences (a)	3,968.6	1,018.5	**2,950.1**	2,950.1
	$ 25,070.9	$ 13,321.0	**$ 11,749.9**	$ 11,974.5

(a) Accumulated amortization of spectrum licences is amortization recorded prior to 2002 and the transitional impairment amount.

Included in capital expenditures for the three month period ended March 31, 2003, were additions of intangible assets subject to amortization of $19.9 million (2002 – $35.3 million).

(b) Sale of Property

During 2003, the Company disposed of a non-strategic property under the terms of a sales-leaseback transaction. The pre-tax gain of $8.2 million, on total cash proceeds of $19.3 million, has been deferred and will be amortized over the term of the lease.

10. Deferred Charges

(millions)		As at March 31, 2003		As at December 31, 2002
Recognized transitional pension assets and pension plan contributions in excess of charges to income	$	**375.3**	$	367.9
Cost of issuing debt securities, less amortization		**49.8**		53.4
Deferred hedging asset		**—**		134.1
Deferred customer activation and installation costs (a)		**97.8**		100.3
Other		**66.4**		73.4
	$	**589.3**	$	729.1

(a) Upfront customer activation fees, along with the corresponding direct costs not in excess of revenues, are deferred and recognized over the average expected term of the customer relationship.

11. Goodwill

For the three months ended March 31, 2003, goodwill additions, arising from contingent consideration paid in respect of a prior year's acquisition, were $0.1 million (2002 – NIL).

12. Long-Term Debt

(a) Details of Long-Term Debt

($ in millions)

Series	*Rate*	*Maturity*		As at March 31, 2003		As at December 31, 2002
TELUS Corporation Notes						
CA	7.5%	June 2006	$	**1,570.2**	$	1,569.7
U.S.	7.5%	June 2007		**1,710.6**		1,835.5
U.S.	8.0%	June 2011		**2,820.6**		3,026.6
				6,101.4		6,431.8
TELUS Corporation Bank Facilities		May 2004		**504.0**		655.0
TELUS Communications Inc. Debentures						
1	12.00%	May 2010		**50.0**		50.0
2	11.90%	November 2015		**125.0**		125.0
3	10.65%	June 2021		**175.0**		175.0
5	9.65%	April 2022		**249.0**		249.0
A	9.50%	August 2004		**189.5**		189.5
B	8.80%	September 2025		**200.0**		200.0
				988.5		988.5
TELUS Communications Inc. Medium Term Note Debentures						
96-9	6.25%	August 2004		**20.0**		20.0
99-1	6.40%	June 2003		**151.0**		151.0
				171.0		171.0
TELUS Communications (Québec) Inc. First Mortgage Bonds						
T	10.80%	March 2003		**—**		30.0
U	11.50%	July 2010		**30.0**		30.0
				30.0		60.0
TELUS Communications (Québec) Inc. Medium Term Notes						
1	7.10%	February 2007		**70.0**		70.0
TELUS Communications Inc. Senior Discount Notes				**0.8**		0.8
Capital leases issued at varying rates of interest from 5.3% to 18.0% and maturing on various dates up to 2006				**7.6**		10.1
Other				**3.3**		0.5
Total debt				**7,876.6**		8,387.7
Less – current maturities				**161.4**		190.3
Long-Term Debt			$	**7,715.2**	$	8,197.4

(b) Long-Term Debt Maturities

Anticipated requirements to meet long-term debt repayments during each of the five years ended December 31, are as follows:

(millions)	
2003 (balance of year)	**$ 161.2**
2004	**714.2**
2005	**—**
2006	**1,578.0**
2007	**1,868.2**

13. Other Long-Term Liabilities

(millions)	**As at March 31, 2003**	As at December 31, 2002
Deferred gain on sale-leaseback of buildings	**$ 116.9**	$ 111.1
Pension and other post-retirement liabilities	**152.2**	149.7
Deferred hedging liability	**197.6**	—
Deferred customer activation and installation fees (a)	**97.8**	100.3
Other	**49.2**	44.2
	$ 613.7	$ 405.3

(a) Upfront customer activation fees, along with the corresponding direct costs not in excess of revenues, are deferred and recognized over the average expected term of the customer relationship.

14. Common Equity

(a) Details of Shareholders' Equity

($ in millions except per share amounts)				As at March 31, 2003	As at December 31, 2002
Convertible debentures				$ 151.2	$ 148.5
TELUS Communications Inc. Preference Shares and Preferred Shares					
Authorized		Amount			
Non-voting first preferred shares		Unlimited			
Issued			Redemption Premium (b)		
Cumulative					
$6.00	Preference	8,090	10.0%	0.8	0.8
$4.375	Preferred	53,000	4.0%	5.3	5.3
$4.50	Preferred	47,500	4.0%	4.8	4.8
$4.75	Preferred	71,250	5.0%	7.1	7.1
$4.75	Preferred (Series 1956)	71,250	4.0%	7.1	7.1
$5.15	Preferred	114,700	5.0%	11.5	11.5
$5.75	Preferred	96,400	4.0%	9.6	9.6
$6.00	Preferred	42,750	5.0%	4.3	4.3
$1.21	Preferred	768,400	4.0%	19.2	19.2
				69.7	69.7
Common equity					
Shares					
Authorized		Amount			
Common Shares		1,000,000,000			
Non-Voting Shares		1,000,000,000			
First Preferred Shares		1,000,000,000			
Second Preferred Shares		1,000,000,000			
Issued					
Common Shares (c)				2,294.8	2,275.1
Non-Voting Shares (c)				3,251.1	3,243.2
Options and warrants (d), (e)				56.7	56.8
Accrual for shares issuable under channel stock incentive plan (f) and other				0.8	1.5
Retained earnings				667.1	630.4
Contributed surplus				7.4	7.4
				6,277.9	6,214.4
Total Shareholders' Equity				$ 6,498.8	$ 6,432.6

(b) TELUS Communications Inc. Preference and Preferred Shares

The Company has the right to redeem the Preference and Preferred shares upon giving three months' previous notice.

(c) Changes in Common Shares and Non-Voting Shares

Three month period ended March 31	2003	
	Number of shares	Amount (millions)
Common Shares		
Beginning of period	187,271,994	$ 2,275.1
Employees' purchase of shares	1,035,727	18.1
Dividends reinvested in shares	94,520	1.6
End of period	188,402,241	$ 2,294.8

Three month period ended March 31	2003	
	Number of shares	Amount (millions)
Non-Voting Shares		
Beginning of period	**158,407,931**	**$ 3,243.2**
Exercise of share options (d)	**4,371**	**0.2**
Channel stock incentive plan (f)	**10,100**	**0.1**
Dividend Reinvestment and Share Purchase Plan (g		
Dividends reinvested in shares	**468,089**	**7.4**
Optional cash payments	**15,108**	**0.2**
End of period	**158,905,599**	**$ 3,251.1**

(d) Share Option Plans

The Company has a number of share option plans under which directors, officers and other employees receive options to purchase Common Shares and/or Non-Voting Shares at a price equal to the fair market value at the date of grant. Options granted under the plans may be exercised over specific periods not to exceed 10 years from the date of grant. At March 31, 2003, 26,740,462 (December 31, 2002 – 25,824,684) shares are reserved for issuance under the share option plans.

The following is a summary of activity related to the Company's share options plans for the three months ended March 31, 2003.

Three month period ended March 31	2003	
	Number of shares	Weighted average option price
Outstanding, beginning of period	**24,689,860**	**$ 25.60**
Granted	**959,855**	**14.84**
Exercised	**(4,371)**	**5.95**
Forfeited	**(610,479)**	**29.73**
Expired	**(141,205)**	**20.75**
Outstanding, end of period	**24,893,660**	**25.12**

(e) Warrants

Under the terms of the arrangement to acquire Clearnet, effective January 18, 2001, TELUS Corporation exchanged the warrants held by former Clearnet warrant holders. Each warrant entitles the holder to purchase a non-voting share at a price of U.S.$10.00 per share until September 15, 2005. Proceeds arising from the exercise of the warrants are credited to share capital. As at March 31, 2003, 779,434 (December 31, 2002 – 779,434) warrants remained outstanding.

(f) Channel Stock Incentive Plan

The Company initiated the Plan to increase sales of various products and services by providing additional performance-based compensation in the form of Non-Voting Shares. The Company has reserved 262,950 (December 31, 2002 – 273,050) shares for issuance under the Plan. As at March 31, 2003, shares earned, but not yet issued, are accrued as a component of Common Equity.

(g) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire Non-Voting Shares through the reinvestment of dividends and additional optional cash payments. Excluding Non-Voting Shares purchased by way of additional optional cash payments, at the Company's discretion it may offer the Non-Voting Shares at up to a 5% discount from the market price. Shares purchased through optional cash payments are subject to a minimum investment of $100 and a maximum investment of $20,000 per calendar year. Under this Plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the market. Prior to July 1, 2001, when the acquisition of shares from Treasury commenced, all Non-Voting Shares were acquired on the market at normal trading prices.

15. Commitments and Contingent Liabilities

(a) Operational Efficiency Program Initiatives

As disclosed in Note 3, the Company estimates that an additional restructuring amount of approximately $12.9 million may be recorded in 2003 in respect of the OEP for items that were not eligible to be recorded in 2002.

(b) Labour Negotiations

In 2000, TELUS commenced collective bargaining with the Telecommunications Workers Union for a new collective agreement replacing the legacy agreements from BC TEL and Alberta-based TELUS. Following the Clearnet acquisition and subsequent transactions, the Mobility business assumed responsibility for separate negotiations for its unionized operations in British Columbia and Alberta. This is the first round of collective bargaining since the merger of BC TELECOM and TELUS Alberta and the Company's aim is to replace the multiple legacy collective agreements with a single collective agreement for the new bargaining unit.

During the fourth quarter of 2002, the Company's application to the Federal Minister of Labour, as provided for under the Canada Labour Code, requesting the appointment of a federal conciliator was granted. While the conciliation process is underway, the Canada Labour Code prohibits a strike or lock out.

In January 2003, the Company and the TWU signed a Maintenance of Activities agreement, as required by federal legislation. This agreement ensures the continuation of services to 911 emergency, police, fire, ambulance hospitals and coast guard, with provisions to cover other potential emergency services necessary to prevent immediate and serious danger to the health or safety of the public, in the event of a work stoppage.

Also in January 2003, the Company and the TWU agreed to an extension of the conciliation process to include a global review of all outstanding issues and a subsequent 60 day conciliation period; conciliation dates are currently scheduled through the third quarter of 2003. If the outstanding issues are not resolved at the end of the 60 day period, the parties may agree to extend this phase or, alternatively, following a 21 day cooling off period, a legal work stoppage may occur.

Should a new collective agreement not be reached, there is the risk of a labour disruption. As a labour disruption could occur in multiple forms, the operational and financial impacts of a labour disruption on the Company are not practicably determinable currently.

(c) Guarantees

Effective for reporting periods ending after December 31, 2002, Canadian GAAP requires the disclosure of certain types of guarantees and their maximum, undiscounted amounts. The maximum potential payments represent a "worst-case scenario" and do not necessarily reflect results expected by the Company. Guarantees requiring disclosure are those obligations that require payments contingent on specified types of future events; in the normal course of its operations, the Company enters into obligations which GAAP may consider to be guarantees. As defined by Canadian GAAP, guarantees subject to these disclosure guidelines do not include guarantees that relate to the future performance of the Company.

Performance guarantees: Performance guarantees contingently require a guarantor, to make payments to a guaranteed party based on a third party's failure to perform under an obligating agreement. TELUS provides sales price guarantees in respect of employees' principal residences as part of its employee relocation policies. In the event that the Company is required to honour such guarantees, it purchases (for immediate resale) the property from the employee. As at March 31, 2003, the Company has no liability recorded in respect of performance guarantees.

Financial guarantees: The Company has guaranteed a third party's financial obligation as a part of a facility naming rights agreement. The guarantee runs through to December 31, 2014, on a declining-balance basis and is of limited recourse. The Company has no liability recorded, as at March 31, 2003, in respect of this guarantee.

In conjunction with its 2001 exit from the equipment leasing business, the Company provided a guarantee to a third party with respect to certain specified telecommunication asset and vehicle leases. If the lessee were to default, the Company would be required to make a payment to the extent that the realized value of the underlying asset is insufficient to pay out the lease; in some instances, the Company could be required to pay out the lease on a gross

basis and realize the underlying value of the leased asset itself. The Company has a liability of $2.1 million recorded as at March 31, 2003, in respect of the lease guarantees.

The following table quantifies the maximum, undiscounted guarantee amounts, as at March 31, 2003, without regard for the likelihood of having to make such payment.

(millions)	Performance guarantees (a)	Financial guarantees (a)	Total
2003	$ **2.1**	$ **12.1**	$ **14.2**
2004	**—**	**9.7**	**9.7**
2005	**—**	**7.4**	**7.4**
2006	**—**	**5.0**	**5.0**
2007	**—**	**3.1**	**3.1**

(a) Annual amounts for performance guarantees and financial guarantees include the maximum guarantee amounts during any year of the term of the guarantee.

Indemnification obligations: In the normal course of operations, the Company may provide indemnification in conjunction with certain transactions. The term of these indemnification obligations range in duration and often are not explicitly defined. Where appropriate, an indemnification obligation is recorded as a liability. In many cases, there is no maximum limit on these indemnification obligations and the overall maximum amount of the obligations under such indemnification obligations cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of the transaction, historically the Company has not made significant payments under these indemnifications.

In connection with its 2001 disposition of TELUS' directory business, the Company agreed to bear a proportionate share of the purchaser's increased directory publication costs if the increased costs were to arise from a change in the applicable Canadian Radio-television and Telecommunications Commission (the "CRTC") regulatory requirements. The Company's proportionate share is 80% through May 2006, declining to 40% in the next five-year period and then to 15% in the final five years. As well, should the CRTC take any action which would result in the purchaser being prevented from carrying on the directory business as specified in the agreement, TELUS would indemnify the purchaser in respect of any losses that the purchaser incurred.

The Company has no liability recorded, as at March 31, 2003, in respect of indemnifications.

(d) Claims and Lawsuits

A number of claims and lawsuits seeking damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

16. Net Change in Non-Cash Working Capital

Three month periods ended March 31 (millions)	**2003**	2002
Accounts receivable	$ **87.0**	$ (30.2)
Income and other taxes receivable	**(53.6)**	(32.8)
Inventories	**10.2**	10.0
Prepaid expenses and other	**(17.5)**	(39.1)
Accounts payable and accrued liabilities	**(23.8)**	29.5
Advance billings and customer deposits	**8.8**	21.4
Employer contributions to employee benefit plans	**(18.0)**	(11.4)
	$ **(6.9)**	$ (52.6)

17. Segmented Information

The Company's reportable segments, which are used to manage the business, are Communications and Mobility. Communications includes: voice local, voice long distance, data and other telecommunication services excluding wireless; Mobility includes: cellular and paging services. Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, and the distribution channels used. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties.

Three month periods ended March 31 (millions)	Communications 2003	Communications 2002	Mobility 2003	Mobility 2002	Eliminations 2003	Eliminations 2002	Consolidated 2003	Consolidated 2002
External revenue	**$ 1,208.5**	$ 1,250.9	**$ 532.4**	$ 447.1	**$ —**	$ —	**$ 1,740.9**	$ 1,698.0
Inter-segment revenue	**23.4**	21.9	**3.7**	4.1	**(27.1)**	(26.0)	**—**	—
Total operating revenue	**1,231.9**	1,272.8	**536.1**	451.2	**(27.1)**	(26.0)	**1,740.9**	1,698.0
Operations expenses	**739.7**	806.1	**357.5**	328.6	**(27.1)**	(26.0)	**1,070.1**	1,108.7
EBITDA (a)	**$ 492.2**	$ 466.7	**$ 178.6**	$ 122.6	**$ —**	$ —	**$ 670.8**	$ 589.3
CAPEX (b)	**$ 153.5**	$ 309.1	**$ 54.3**	$ 96.8	**$ —**	$ —	**$ 207.8**	$ 405.9
EBITDA less CAPEX	**$ 338.7**	$ 157.6	**$ 124.3**	$ 25.8	**$ —**	$ —	**$ 463.0**	$ 183.4

(a) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is defined as operating revenues less operations expense and, as defined, excludes restructuring and workforce reduction costs. The Company has issued guidance on, and reports, EBITDA because it is a key measure used by management to evaluate performance of its business segments and is utilized in measuring compliance with debt covenants.

(b) Total capital expenditures ("CAPEX").

18. Related Party Transactions

In 2001, the Company entered into an agreement with Verizon Communications Inc. ("Verizon"), a significant shareholder, with respect to acquiring certain rights to Verizon's software, technology, services and other benefits, thereby replacing and amending a previous agreement between the Company and GTE Corporation. The agreement is renewable annually at the Company's sole option up to December 31, 2008, and it has been renewed for 2003. As of March 31, 2003, $312.1 million of specified software licences and a trademark licence have been acquired and recorded as capital and other assets. These assets are valued at fair market value at the date of acquisition as determined by an arm's-length party's appraisal. Assuming renewal through to 2008, the total commitment under the new agreement is U.S.$377 million for the period 2001 to 2008 and the commitment remaining after March 31, 2003, is U.S.$117 million. In addition, in the normal course of operations and on market terms and conditions, ongoing services and other benefits have been received and expensed; the Company owed Verizon, on a net basis and including dividends payable, $43.0 million at March 31, 2003 (December 31, 2002 – $75.4 million).

Three month periods ended March 31 (millions)	2003	2002
Verizon agreement		
Specified software licences and trademark licence acquired and recorded as capital and other	**$ —**	$ 26.3
Ongoing services and benefits expensed	**$ 7.5**	$ 13.5
Sales to Verizon (Verizon customers' usage of TELUS' telecommunication infrastructure and other)	**$ 12.1**	$ 5.9
Purchases from Verizon (TELUS customers' usage of Verizon's telecommunication infrastructure and other)	**$ 8.7**	$ 8.5

In common with, and on the same basis as, other shareholders of the Company, Verizon is eligible to participate in the Company's Dividend Reinvestment and Share Purchase Plan (see Note 14(g)). The following table presents a summarization of the Company's dividend transactions with Verizon, which are included elsewhere in these financial statements in similarly captioned line item amounts.

Three month periods ended March 31 (millions)	2003	2002
Declared dividends attributable to Verizon's shareholdings		
- to be paid in cash	**$ 10.5**	$ —
- to be reinvested in Treasury shares	**0.5**	10.9
	11.0	10.9
Cash payments	**10.5**	—
Reinvested in Treasury shares	**0.5**	10.7
	11.0	10.7
Change in dividends payable to Verizon	**—**	0.2
Dividends payable to Verizon, beginning of period	**11.0**	10.7
Dividends payable to Verizon, end of period	**$ 11.0**	$ 10.9

19. Differences Between Canadian and United States Generally Accepted Accounting Principles

The consolidated financial statements have been prepared in accordance with Canadian GAAP. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below. Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income of the Company:

Three month periods ended March 31 (millions)	**2003**	2002
Net income (loss) in accordance with Canadian GAAP	**$ 91.2**	$ (0.8)
Adjustments:		
Decrease in depreciation expense (b)	**8.9**	8.9
Decrease in interest expense (c)	**2.4**	2.4
Amortization of intangible assets (d)	**(20.5)**	(20.5)
Change in future employee benefits (e)	**(4.2)**	(4.2)
Asset impairment – decrease in depreciation (f)	**18.0**	18.0
Interest on convertible debentures (g)	**(1.7)**	(1.6)
Accounting for derivatives (h)	**1.1**	(1.1)
Taxes on the above adjustments	**(1.7)**	(2.6)
Income (loss) before effect of change in accounting principle	**93.5**	(1.5)
Effect of change in accounting principles for intangible assets and goodwill (i)	**—**	(1,701.6)
Net income (loss) in accordance with U.S. GAAP	**93.5**	(1,703.1)
Other comprehensive income (loss) (h) (m)	**19.4**	(49.0)
Comprehensive income (loss) in accordance with U.S. GAAP	**$ 112.9**	$ (1,752.1)
Income (loss) per share under U.S. GAAP (basic and diluted):		
Before effect of change in accounting principles for intangible assets and goodwill	**$ 0.27**	$ (0.01)
Effect of change in accounting principles for intangible assets and goodwill (i)	**—**	(5.60)
Net income (loss)	**$ 0.27**	$ (5.61)

The following is a restatement of major balance sheet categories to reflect the application of U.S. GAAP:

(millions)	**As at March 31, 2003**	As at December 31, 2002
Current assets	**$ 1,337.8**	$ 1,173.2
Capital assets		
Property, plant, equipment and other	**7,796.2**	7,926.0
Intangible assets subject to amortization	**2,813.2**	2,901.6
Intangible assets with indefinite lives	**2,950.1**	2,950.1
Goodwill	**3,543.3**	3,543.2
Deferred income taxes	**948.6**	1,174.7
Other assets	**859.7**	979.9
	$ 20,248.9	$ 20,648.7
Current liabilities	**$ 1,977.2**	$ 2,181.0
Long-term debt	**7,883.0**	8,364.9
Other long-term liabilities	**710.0**	499.7
Deferred income taxes	**1,645.7**	1,655.1
Non-controlling interest	**11.4**	11.2
Shareholders' equity	**8,021.6**	7,936.8
	$ 20,248.9	$ 20,648.7

The following is a reconciliation of shareholders' equity incorporating the differences between Canadian and U.S. GAAP:

As at March 31 (millions)	**2003**	2002
Shareholders' Equity under Canadian GAAP	**$ 6,498.8**	$ 6,394.1
Adjustments:		
Purchase versus Pooling Accounting (a) – (e), (j)	**1,537.5**	1,570.4
Asset impairment (f)	**(24.9)**	(69.0)
Reclassification of convertible debentures from equity to debt (g)	**(151.2)**	(149.6)
Accounting for derivatives (h)	**(2.5)**	(3.8)
Additional goodwill on Clearnet purchase (k)	**123.5**	123.5
Other comprehensive income (loss) (m)	**40.4**	(68.9)
Shareholders' Equity under U.S. GAAP	**$ 8,021.6**	$ 7,796.7

(a) Merger of BC TELECOM and TELUS
The business combination between BC TELECOM and TELUS Corporation (renamed TELUS Holdings Inc. which was wound up June 1, 2001) was accounted for using the pooling of interests method under Canadian GAAP. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS Holdings Inc. resulted in a restatement of prior periods as if the two companies had always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method results in TELUS (TELUS Holdings Inc.) being acquired by BC TELECOM for $4,662.4 million (including merger related costs of $51.9 million) effective January 31, 1999.

(b) Depreciation
Under the purchase method, TELUS' capital assets on acquisition have been recorded at fair value rather than at their underlying cost (book values) to TELUS. Therefore, depreciation of such assets based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' depreciation based on underlying cost (book values).

(c) Interest
Under the purchase method, TELUS' long-term debt on acquisition has been recorded at its fair value rather than at its underlying cost (book value) to TELUS. Therefore, interest expense calculated on the debt based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' interest expense based on underlying cost (book value).

(d) Intangible Assets
As TELUS' intangible assets on acquisition have been recorded at their fair value, amortization of such assets, other than for those with indefinite lives, needs to be included under U.S. GAAP; consistent with prior years, amortization is calculated using the straight-line method.

(e) Future Employee Benefits
Under U.S. GAAP, TELUS' future employee benefit assets and obligations have been recorded at their fair values on acquisition. Accounting for future employee benefits under Canadian GAAP changed to become more consistent with U.S. GAAP effective January 1, 2000. Canadian GAAP provides that the transitional balances can be accounted for prospectively. Therefore, to conform to U.S. GAAP, the amortization of the transitional amount needs to be removed from the future employee benefit expense.

(f) Asset Impairment
In the first quarter of 1998, BC TELECOM, took an asset impairment charge. In assessing if a capital asset is impaired, estimated future net cash flows are not discounted in computing the net recoverable amount. Under Canadian GAAP, at the time the assessment took place, the impairment amount recorded was the excess of the carrying amount over the recoverable amount; under U.S. GAAP the impairment amount recorded was the excess of the carrying amount over the discounted estimated future net cash flows that were used to determine the net recoverable amount. Under U.S. GAAP the net of tax charge taken in 1998 would be $232.2 million higher and would not be considered an extraordinary item. The annual depreciation expense would be approximately $72 million lower subsequent to when the increased impairment charge was taken under U.S. GAAP.

(g) Convertible Debentures
Under Canadian GAAP, financial instruments such as the convertible debentures are classified as debt or equity according to their substance rather than their legal form. Accordingly, due to the substance of the transaction the convertible debentures have been classified as equity and the corresponding interest expense and the amortization of issue costs has been charged to the retained earnings rather than to the Consolidated Statements of Income. Pursuant to U.S. GAAP, the convertible debentures would be included in long-term debt. The corresponding interest expense on the convertible debentures and the amortization of issue costs are charged to the Consolidated Statements of Income.

(h) Accounting for Derivatives
On January 1, 2001, the Company adopted the provisions of SFAS 133, "Accounting For Derivative Instruments and Hedging Activities." This standard requires all derivatives be recognized as either assets or liabilities and

measured at fair value. This is different from the Canadian GAAP treatment for financial instruments. Under U.S. GAAP, derivatives, which are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income and derivatives, which are cash flow hedges, will be marked to market with adjustments reflected in comprehensive income.

(i) Intangible Asset Transitional Impairment Amount and Goodwill

Commencing January 1, 2002, in Canada and the United States, new Generally Accepted Accounting Principles for intangible assets with an indefinite life and goodwill apply to the Company (SFAS 142, "Goodwill and Other Intangible Assets"). As one part of the transitional implementation, intangible assets with indefinite lives were tested for impairment as at January 1, 2002. Any such transitional impairment amount arising is considered to arise from a change in accounting policy and is charged to earnings, in the period the change is effected, after determining net income from operations. As a result of the differing accounting treatment afforded the merger of BC TELECOM and TELUS (see (a) and (d)), the recorded value of intangible assets with indefinite lives differs materially between Canadian and U.S. GAAP. The Company has assessed its intangible assets with indefinite lives and determined it necessary to record a transitional impairment amount of $595.2 million ($910.0 million before tax) for purposes of Canadian GAAP; a transitional impairment of $1,701.6 million ($2,609.7 million before tax) was required under U.S. GAAP. The transitional impairment amount, under both Canadian and U.S. GAAP, reduced the carrying values of the intangible assets with indefinite lives to the same amounts, thus eliminating the corresponding GAAP difference.

Similarly, goodwill was also to be tested for impairment as at January 1, 2002, by June 30, 2002, and any transitional impairment amount would also be considered to arise from a change in accounting policy and is charged to earnings, in the period the change is effected, after determining net income from operations. The Company completed this test in the first quarter of 2002. By applying the prescribed method of comparing the fair value of its reporting units to the carrying amounts of its reporting units, the Company has assessed its goodwill and determined that there was no goodwill transitional impairment amount. Consistent with current industry-specific valuation methods, the Company used a combination of the discounted cash flow model and the market comparable approach for determining the fair value of its reporting units.

(j) Goodwill

Under the purchase method of accounting, TELUS' assets and liabilities at acquisition have been recorded at their fair values with the excess purchase price being allocated to goodwill in the amount of $403.1 million. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill will be periodically tested for impairment.

(k) Additional Goodwill on Clearnet purchase

Under U.S. GAAP, shares issued by the acquirer to affect an acquisition are measured at the date the acquisition was announced; however, under Canadian GAAP, at the time the transaction took place, shares issued to effect an acquisition were measured at the transaction date. This results in the purchase price under U.S. GAAP being $131.4 million higher than under Canadian GAAP. The resulting difference is assigned to goodwill. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill will be periodically tested for impairment.

(l) Share-Based Compensation

Generally Accepted Accounting Principles require disclosure of the impact on earnings and earnings per share as if the fair value based method of accounting had been applied for share-based compensation. Under Canadian GAAP, this is required in respect of awards made after 2001; under U.S. GAAP, this is required in respect of awards made after 1994. The fair values of the Company's options granted in 2003 and 2002, and the weighted average assumptions used in estimating the fair values, are set out in Note 7. Such impact, using the fair values set out in Note 7 would approximate the following pro forma amounts:

Three month periods ended March 31 (millions except per share amounts)		2003		2002
Compensation cost	$	**12.3**	$	19.4
Net income (loss)				
As reported	$	**93.5**	$	(1,703.1)
Pro forma	$	**81.2**	$	(1,722.5)
Net income (loss) per Common Share and Non-Voting Share				
Basic and diluted				
As reported	$	**0.27**	$	(5.61)
Pro forma	$	**0.23**	$	(5.67)

(m) Additional Disclosures Required Under U.S. GAAP – Comprehensive Income

SFAS 130, "Reporting Comprehensive Income", requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is currently no requirement to disclose comprehensive income under Canadian GAAP.

Three month periods ended March 31 (millions)		2003		2002
Change in unrealized fair value of derivative cash flow hedges (h)	$	**24.2**	$	(84.3)
Minimum pension liability		**(0.9)**		—
		23.3		(84.3)
Income tax expense (recovery)		**3.9**		(35.3)
Other comprehensive income (loss)	$	**19.4**	$	(49.0)

(n) Asset Retirement Obligations

Commencing January 1, 2003, new Generally Accepted Accounting Principles for asset retirement obligations apply to the Company (SFAS 143, "Accounting for Asset Retirement Obligations"). The new standard focuses on the recognition and measurement of liabilities for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value (using present value methodology) and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is depreciated on the same basis as the related asset; discount accretion is also included in determining the results of operations.

All amounts arising from the application of this accounting policy are not significant.

20. Prior Period Presentation

The December 31, 2002, and March 31, 2002, amounts have been reclassified, where applicable, to conform to the 2003 presentation.